

Approved For Release 2005/07/22 : CIA-RDP80B01495R000300070019-5

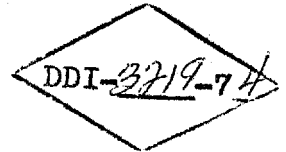
74/3874/P

4 November 1974

MEMORANDUM FOR: Chief, Audit Staff

THROUGH: Inspector General

SUBJECT: Scope of Audits



1. Thank you very much for your proposal of "program audits" in CIA, together with your Report of Audit of OJCS as a specific example. I fully understand that this proposal reflects the Federal Audit Policy issued by the General Services Administration in FMC 73-2 and the Comptroller General's Standards for Audit. I understand at the same time that certain line managers have expressed concern over this widening of the scope of traditional audits in CIA. The General Services Administration has adopted these audit standards set forth by the Comptroller General; at the same time the special characteristics of CIA will require certain exceptions to the established procedures, as outlined in General Walters' letter of 26 March to GSA Administrator Sampson. This memorandum outlines my concept of the way we in CIA should approach the audit process.

2. Traditionally the CIA Audit Staff limited itself to financial and compliance audits. The Inspector General conducted organization inspections on a periodic basis. As a result of some question in my mind as to the end value and effect of those organizational inspections, the Inspector General's staff was reduced last year in conformance with personnel reductions and this inspection routine was suspended. At the time I contemplated its replacement by a combination of the annual Program Review pursuant to Management by Objectives procedures and a broadening audit function consistent with the Comptroller General's new standards. I believe this to be an adequate resolution of the competing demands of independent staff examinations of the management of our subordinate units, stringent financial audits of our activities, and detailed examinations of programs and performance of all our units on an annual basis. We need, however, an articulation of the inter-relationship of these three activities.

3. The Program Call and Annual Reports provided the primary vehicles for the annual appraisal of the needs and performance of subordinate units pursuant to Management by Objective procedures. The first priority task of the Audit Staff is to ensure that vigorous and regular financial audits are made of our activities. As a second task, the Audit Staff will conduct supplementary, independent program

Approved For Release 2005/07/22 : CIA-RDP80B01495R000300070019-5

ER

audits of our operations pursuant to the audit standards established by the Comptroller General. Such audits will cover Agency-wide subject matter selected in coordination with the Comptroller, or directorate problems selected in coordination with the deputy director concerned. These program audits, additional to financial aspects, will be conducted with the cooperation of the Comptroller's office, the appropriate programs staffs of the directorates supervising the units audited, and in appropriate cases the Office of Personnel. In this fashion I believe the Audit Staff can also review program decision-making and performance through established mechanisms, focusing where possible on whether these mechanisms are functioning effectively. On these program audits, the Audit Staff will consult with the component under review, as has been customary in the past with its financial audits as well as with the Comptroller, prior to issuance of its report and findings. I expect the Audit Staff's independent judgment on the management aspects as well as the financial aspects of the audit, as required by the Comptroller General's audit standards. In carrying out program audits, it is expected that the Audit Staff will augment its regular financially-oriented personnel with individuals selected for their specific knowledge and background from a roster composed largely of CIA retirees.

4. The Inspector General will continue to inspect any situations in the Agency coming to his attention or suggested to him by others which in his view should be inspected and brought to my attention.

5. Following the submission of an audit by the Audit Staff to me, I will expect the Inspector General to ensure that a follow-up report of compliance or difference with the Audit Staff's conclusions will be made to me after an appropriate interval of time. Any substantial differences in view should be called to my attention for resolution with the deputy director concerned.

6. Any exemption from audit for reasons of sensitivity of intelligence sources and methods will be subject to my approval after justification by the deputy director concerned.


W. E. Colby
Director

cc: Deputy Director for Administration
Deputy Director for Intelligence
Deputy Director for Operations
Deputy Director for Science and Technology
Comptroller
General Counsel

Approved For Release 2005/07/22 : CIA-RDP80B01495R000300070019-5